A/59/5/Add.12

United Nations

International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Financial report and audited financial statements

for the biennium ended 31 December 2003 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5L (A/59/5/Add.12)

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United Nations • New York, 2004

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[10 August 2004]

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26 March 2004

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium 2002-2003, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Kofi A. **Annan**

Mr. Shauket A. Fakie
Chairman
United Nations Board of Auditors
New York

9 July 2004

I have the honour to transmit to you the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia for the biennium 2002-2003 ended 31 December 2003, which were submitted by the Secretary-General. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including an audit opinion thereon.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ending 31 December 2003

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2003. The accounts consist of four statements and the related notes.

2. The present report, the audited financial statements and the report of the Board of Auditors, along with the associated report of the Advisory Committee on Administrative and Budgetary Questions, will be submitted to the General Assembly at its fifty-ninth session.

3. The present report, which is designed to be read in conjunction with the financial statements, can also be considered alone. Attached hereto is an annex, which includes technical information that is required by the Financial Regulations and Rules to be reported to the Board of Auditors.

B. Overview

4. Statements I to IV of the accounts summarize the final results of the International Tribunal for the Former Yugoslavia for the biennium 2002-2003. Statement I includes all categories of income and expenditures incurred during the biennium. Statement II includes a summary of assets, liabilities and reserves and fund balances as at 31 December 2003. Statement III summarizes the Tribunal's net cash flows for the period and statement IV shows the appropriation and expenditure against appropriation during the biennium 2002-2003.

5. The most important financial issue facing the International Tribunal for the Former Yugoslavia is its deteriorating cash position owing to the sharp increase in unpaid assessments. As at 31 December 2003, unpaid contributions to the Tribunal totalled $53.3 million, representing an increase of 120 per cent when compared to the situation as at 31 December 2001.

6. Because the failure of Member States to pay their assessed contributions in full and on time, it was necessary for the Tribunal to borrow $68 million from other funds during the 2002-2003 biennium in order to meet its operating requirements. Of this total, $20 million had been repaid by 31 December 2003 and $48 million remained outstanding as of that date.

7. The budget of the International Tribunal for the Former Yugoslavia for the biennium 2002-2003 totalled $288.3 million, as appropriated by the General Assembly in its resolution 58/254. Against this, actual expenditures for the biennium totalled $284.3 million, leaving an unencumbered balance of $4 million. The 2002-2003 expenditure total of $284.3 million represented an increase of 35.8 per cent over the total expenditures in the 2000-2001 biennium of $209.3 million. The following table shows the amount of expenditure by functional category (in thousands of United States dollars):

Functional category	*2003*	*2001*
Salaries and related personnel costs	232 939	165 506
Travel	8 049	7 575
Contractual services	12 519	9 042
Operating expenses	21 183	17 494
Acquisitions	8 789	9 676
Other	835	-
Total	**284 314**	**209 293**

The following table shows expenditures by functional category as a percentage of the total:

Functional category	*2003*	*2001*
Salaries and related personnel costs	81.9	79.1
Travel	2.8	3.6
Contractual services	4.4	4.3
Operating expenses	7.5	8.4
Acquisitions	3.1	4.6
Other	0.3	-
Total	**100.0**	**100.0**

8. At the end of 2003, the fund balance of the International Tribunal was a negative amount of $12.6 million as reserves brought forward (after transfers of $13.7 million to income during the 2002-2003 biennium) of $2.6 million and savings on cancellation of prior period obligations of $3.4 million, were more than offset by an excess of expenditure over income of $18.6 million.

Annex

Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, receivables amounting to $22,139 were written off during the biennium 2002-2003. A summary statement of losses was provided to the Board of Auditors in compliance with the provisions of financial rule 106.8.

Write-off of losses of property

3. In accordance with financial rule 106.9, property losses amounting to $49,020 were written off during the biennium 2002-2003. The losses are based on the original cost of the properties, and include write-offs arising from shortfalls, theft, damages and accidents. The write-offs bring the recorded balances of the properties to the same levels as those shown in the property records for the actual quantities on hand. A summary statement showing the inventory values of non-expendable equipment as well as property write-offs was provided to the Board in accordance with financial rule 106.9.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2002-2003.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of the International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, and has also audited its financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

(a) The level of unpaid assessed contributions is an increasing concern, with $53.3 million in outstanding contributions receivable;

(b) The balance of reserves as at 31 December 2003 showed a shortfall of $12.6 million;

(c) Procedures in place led to an initial understatement of the $79 million in deferred charges;

(d) Liabilities for the judges' pensions were neither assessed nor disclosed in the financial statements;

(e) The criteria for assigning counsel to indigent accused are still to be completed;

(f) The responsibility for United Nations House in Sarajevo has been transferred to the Tribunal but no handover to another entity has been specified for the time when the Tribunal downsizes its Sarajevo site, planned for the end of 2006;

(g) The usual United Nations staff medical standards were not applied to candidates for a judgeship;

(h) Considering the present risk factors, the Board remains concerned that the 2010 deadline set by the completion strategy might not be reached.

The Board recommended that the Tribunal develop its efforts to collect outstanding contributions receivable from Member States; review procedures in place for reporting on deferred charges to ensure their completeness; liaise with United Nations Headquarters in order to account for the liability related to judges' pensions and to plan for the transfer of pension commitments to a permanent entity at the termination of the Tribunal; ensure that amendments are made to the Rules of Procedure and Evidence of the Court concerning the conditions for the designation of counsel by the accused; liaise with United Nations Headquarters in order to improve the rate of occupancy of United Nations House in Sarajevo and to transfer its management to another entity before the Tribunal leaves the premises; and consider applying the usual United Nations staff medical standards to candidates for judgeship. By July 2004, the Administration planned to implement a number of appropriate remedies.

A list of the Board's main recommendations is provided in paragraph 10.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2003, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies, the International Atomic Energy Agency and the International Standards on Auditing. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 2002-2003 had been incurred for the purposes approved by the General Assembly; whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of the Tribunal presented fairly its financial position as at 31 December 2003 and the result of the operations for the period then ended. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under article 7.5 of the Financial Regulations and Rules. The review primarily focused on the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the International Criminal Tribunal for the Former Yugoslavia.

4. In its resolution 58/255 of 23 December 2003, the General Assembly requested that the views of the Board of Auditors on the biennialization of the Tribunal's budget be included in the report of the Secretary-General on this matter. The Board's comments will be included as an annex to the separate report of the Secretary-General, which is scheduled to be submitted to the fifty-ninth session of the General Assembly.

5. The Board continued its practice of reporting to the Administration the results of specific audits in management letters containing detailed observations and recommendations. This practice helped to maintain an ongoing dialogue with the Administration on audit issues.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings are discussed in paragraphs 12 to 74.

1. Previous recommendations not fully implemented

Biennium ended 31 December 1999[1]

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999.[2] There are no significant outstanding matters.

Biennium ended 31 December 2001[3]

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2001.[4] Details of action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 18 recommendations, 12 (67 per cent) were implemented, while 6 (33 per cent) were under implementation.

2. Main recommendations

10. **The Board's main recommendations are that the Administration should:**

(a) Review procedures in place on deferred charges to ensure the completeness of the disclosure (para. 22);

(b) Liaise with the United Nations Headquarters in order to account for the liability related to judges' pensions and to plan for the transfer of pension commitments to a permanent entity before the termination of the Tribunal (para. 27);

(c) Intensify its efforts to gain the cooperation of all concerned Member States and seek the assistance of the international community in placing additional pressure on uncooperative Member States (para. 35);

(d) Finalize the annex to the memorandum of understanding setting out the services to be shared and invoiced within the United Nations House in Sarajevo; and liaise with United Nations Headquarters in order to improve the rate of occupancy of the United Nations House in Sarajevo and to transfer its management to another entity before the Tribunal closes its office and leaves the premises (para. 58);

(e) Explore with the United Nations Secretariat the possibility of applying the usual United Nations staff medical standards to candidates for judgeship (para. 62).

11. The Board's other recommendations appear in paragraphs 53, 60, 66, 69 and 74.

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[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5L* (A/55/5/Add.12).

[2] Ibid., chap. II.

[3] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5L* and corrigendum (A/57/5/Add.12 and Corr.1), chap. II.

[4] Ibid., chap. II.

B. Financial issues

1. Financial overview

12. The Board performed an analysis of the Tribunal's financial position as at 31 December 2003. The results of two key indicators are set out in the table below.

Table 1
Key financial indicators

Description of ratio	*2000-2001*	*2002-2003*
Assessed contributions outstanding/total assets[a]	0.60	0.38
Cash liability[b]	0.43	0.0289

[a] A low indicator may depict a healthy financial position.
[b] A high indicator reflects the extent of cash available to settle debts.

13. Total expenditure for the biennium ended 31 December 2003 was $284.3 million for regular budget expenditure, an increase of 36 per cent over the previous biennium. This figure does not include trust fund expenditures ($13.5 million, an increase of 18 per cent). The increase in expenditure derived mainly from the staff costs (plus 41 per cent, to 82 per cent of total expenditures), which are due to additional posts for the Office of the Prosecutor and for the Registry. Contractual services ($12.5 million) increased by 38 per cent, to 4 per cent of total expenditures, mainly due to defence and detention charges.

14. As reported in the report on the status of contributions as at 31 December 2003 (ST/ADM/SER.B/619, annex XXII), $17.4 million of the total amount outstanding of $53.3 million (32.6 per cent) for the budget of the Tribunal had been outstanding over one year.

15. The activities of the Tribunal were financed by $248.9 million in assessed contributions and $13.7 million drawn from its reserves. Due to the $284.3 million in regular budget expenditure, the biennium 2002-2003 ended with a shortfall of income over expenditure of $18.6 million, compared with an excess of $9.4 million for the biennium 2000-2001.

16. Unliquidated obligations have increased, for the second consecutive biennium, to 19.6 million, a 36 per cent increase, mainly due to delays between the time defence counsel fees obligations are raised and invoices are received and checked. Furthermore, as fees are invoiced in euros, the lowered exchange rate of the dollar inflated their amount, which is accounted for in dollars.

17. The Tribunal had to borrow $48 million from three United Nations missions during the financial period. Without these loans, the Tribunal would have had an overall negative cash flow of $46.82 million at the end of period instead of a positive one of $1.18 million. The loans were repaid in the first quarter of 2004.

18. The Board once again noted the high level of unpaid assessed contributions, which more than doubled to $53.3 million, as compared to $24.2 million at the end of the previous biennium. Of these assessed contributions, 23 per cent have remained unpaid for more than two years (as compared to 30 per cent at the end of the previous biennium).

19. **The Board shares the increasing concern of the General Assembly (see resolution 58/253 of 23 December 2003, para. 3) regarding the need for Member States to pay their assessed contributions on time, in full and without conditions.**

2. United Nations system accounting standards

20. The Board assessed the extent to which the financial statements of the Tribunal for the biennium ended 31 December 2003 conformed to the United Nations system accounting standards. The review indicated that the financial statements were generally consistent with the standards.

3. Deferred charges

21. In its previous report the Board recommended that deferred charges (commitments approved by the Controller for future financial periods) be monitored at a single site, instead of at both United Nations Headquarters and the Tribunal.[5] The recommendation will be implemented during the current biennium 2004-2005, the Tribunal being in charge of recording all its commitments for the future year. The Board found the initial amount to be understated, which led the Administration to revise it from $27,491,178 to $79,773,206 as at 31 December 2003. This indicates that the procedures applied to disclose deferred charges were not adequate. This also results in the assets of the Tribunal ($140.4 million) failing to cover its liabilities ($153 million) by $12.6 million.

22. **The Tribunal agreed with the Board's recommendation to review its procedures on deferred charges to ensure the completeness of the disclosure.**

4. Liabilities for end-of-service and post-retirement benefits

23. The liabilities for after-service health insurance, accrued annual leave and termination benefits are indicated in note 7 to the financial statements, as reflected below.

Table 2
Liabilities for end-of-service and post-retirement benefits
(Millions of United States dollars)

	2000-2001	*2002-2003*
After-service health insurance[a]		9.4
Accrued annual leave	3.3	5.2
Termination benefits	3.3	4.8
Total	**6.6**	**19.4**

[a] Net accrued liability. Not computed by the Tribunal for the 2000-2001 biennium.

24. In comparison, the reserves have a negative balance of $12.6 million (statement I). As at 31 December 2003, the above liabilities ($19.4 million) is not covered by any reserves.

[5] Ibid., paras. 83 and 84.

25. Liabilities regarding the pensions to the judges, which are paid by the Tribunal, are neither valued nor disclosed. The Administration has not selected a permanent entity to take over the payment of the judges' pensions, at the latest by the time of termination of the Tribunal, which is scheduled for 2011.

26. **The Board is concerned about the level of reserves and the ability of the Tribunal to cover its liabilities for end-of-service and post-retirement benefits under the present situation.**

27. **The Tribunal agreed with the Board's recommendations to liaise with United Nations Headquarters in order to account for the liability related to judges' pensions and to plan for the transfer of pension commitments to a permanent entity at the termination of the Tribunal.**

5. Non-expendable equipment

28. The non-expendable equipment inventory amounted to $14.5 million as at 31 December 2003, compared to $14.3 million at the end of the previous biennium. The movement of non-expendable equipment during the financial period under review is set out in table 3 below.

29. Dispositions of assets included $2.4 million in write-offs for obsolescence, $0.9 million in sale proceeds and $0.23 million in transfers or write-offs for damaged equipment.

Table 3
Non-expendable equipment
(Thousands of United States dollars)

	(a) *Opening balance*	*(b)* *Acquisitions*	*(c)* *Dispositions*	*(d)* *Adjustments*	*e = (a)+(b)-(c) +/-(d)* *Closing balance*
Tribunal	14 285	3 756	(3 530)	(55)	14 456

30. The Tribunal extensively reviewed its inventory database in 2003, as recommended by the Board, and has implemented adequate assets safekeeping measures, including an annual physical inventory in all Tribunal facilities. However, at the time of our audit, the value of missing items still amounted to $530,041. The Tribunal planned to perform periodic spot checks, to resolve remaining discrepancies.

6. Write-off of losses of cash, receivables and property

31. Write-off of irrecoverable receivables ($22,138) and property ($49,020) amounted to $71,158 for the biennium 2002-2003.

7. Ex gratia payments

32. The Tribunal informed the Board that no ex gratia payment had been made during the financial period ended 31 December 2003.

C. Management issues

1. Completion strategy and implementation thereof

33. The Security Council endorsed, on 23 July 2002, a completion strategy of the Tribunal (S/2002/678), as recommended by the Board in its report.[6] The strategy relies on the cooperation of Member States in handing over evidence and on the possibility of referring cases to national courts. It is also based on a number of objectives for the Chambers and the Registry, which underlie the completion of the Tribunal's mandate within the revised time frame (2010) and are monitored on a *tableau de bord* (table of indicators).

34. By 31 March 2004, some of these objectives had yet to be met. Their achievement relied on factors partly beyond the Tribunal's control, such as the illness of the accused, the number of guilty pleas or appeals and the cooperation of Member States in the arrest of indictees-at-large who are evading justice.

35. **The Tribunal agreed with the Board's recommendation to further intensify its efforts to gain the cooperation of all concerned Member States, and seek the assistance of the international community to place additional pressure on uncooperative Member States.**

36. The high number of guilty pleas in 2003 has helped to expedite the trial process. However, while one objective is to occupy the courtrooms on a more regular basis, the capacity of the Tribunal was less utilized in 2003 (48 per cent) than in 2002 (67 per cent) owing to delays in preparing cases for trial at short notice. An increased monitoring of cases and proceedings has been implemented through a working group on "trial scheduling".

37. While another objective is to limit the number of witnesses who testify, because of the complexity of the cases on trial, their number increased from 810 in 2000-2001 to 969 in 2002-2003. The average stay of witnesses in The Hague was, however, reduced from 7 days in 2002 to 5.9 days in 2003, longer than a 5-day target set by the completion strategy.

38. With the objective of increasing the use of written evidence, the Tribunal has allowed testimony in writing, since 2001, while not excluding cross-examination. The rising percentage of written testimonies admitted without cross-examination, which has more than tripled, from 7 per cent in 2002 (23 out of 325 testimonies) to 23 per cent in 2003 (113 out of 510), has limited costs.

39. The percentage of witnesses summoned to The Hague and then sent back home without testifying has dropped from 41 per cent in 2000-2001 to 12 per cent in 2002-2003.

40. Another objective is to reduce the length of appellate proceedings. Article 115 of the Rules of Procedure and Evidence of the Tribunal provides that parties may present previously unavailable evidence before the Appeals Chamber. The deadline for the completion strategy would be at risk if new materials obtained after further disclosure by national archives induce significant delays.

41. The projected hand-over of secondary trials to national tribunals financed from voluntary contributions was scheduled for the last quarter of 2004 in the case of the

[6] Ibid., para. 32.

War Crime State Court of Bosnia and Herzegovina, which is supported by the Office of the High Representative for Bosnia and Herzegovina. By 31 March 2004, conditions allowing the transfer of trials to national tribunals had yet to be met.

42. **While commending the Tribunal for setting and monitoring clear objectives and for achieving progress in their implementation, the Board remains concerned that the 2010 deadline set by the completion strategy might not be reached, considering the present risk factors; the Tribunal agreed with this concern.**

2. Results-based budgeting

43. The budget of the Tribunal for the 2004-2005 biennium has been presented in a results-based budgeting format (A/58/226). All directors and chiefs involved in the process have been trained. Objectives and indicators have been determined for 2004-2005, many of which have already been monitored on a monthly basis through the Registry's *tableau de bord* (table of indicators).

3. Legal aid and defence costs

Designation of defence counsels

44. The General Assembly has encouraged the Tribunal to continue to implement and closely monitor reforms to its legal aid system (see A/58/226). The Tribunal has in this respect implemented most of the recommendations made by the Board in its previous report (see annex to the present chapter). It has increased control over proceedings and defence fees and amended the Rules of Procedure and Evidence to prevent fee-splitting risks. An Association of Defence Counsel has been created as the equivalent of a Bar. No alleged fee-splitting case was reported in 2002-2003.

45. As recommended by the Board, the Tribunal has formulated and implemented a new policy on legal aid with regard to indigence and sufficient means. The Tribunal has set the lowest level for indigence at $36,000 in disposable means (assets increased by family income at a given time period, minus the average and extra expenditures for a given time period), for, in general, 36 months. Those accused whose income falls below this level would, in theory, contribute 10 per cent of their disposable means to their legal costs, that is, less than $3,600 for pre-trial and trial costs. In practice, the Tribunal has never claimed contributions at that level because it anticipated that appeals would cost more than actual savings and investigations.

46. For income levels of between $36,000 to $180,000, the accused's contribution rises to 20 per cent of disposable means; between $180,000 to $360,000, to 30 and, finally, to 40 per cent. The Tribunal processed 10 such cases during the biennium, with savings expected to be close to one million dollars owing to the new partial indigence policy.

47. By May 2004, the Tribunal had yet to enact a policy complying with the request of the General Assembly, in its resolution 57/288, that, to further limit the risk of fee-splitting arrangements, it considered designating defence counsel at random when counsel is to be paid through legal aid. The request was based on a

recommendation of the Board in its previous report.[7] In 2002, the Tribunal established a working group on the issue of designation of legal-aid funded counsel in order to make the requirements for assigned counsel more specific and to make the list of counsel a "closed" list. A special judges' plenary session, to be held after July 2004, is to consider amendments to the Rules of Procedure and Evidence and to the Directive on assignment of Defence Counsel with a view to solving the issue of the designation of defence counsel.

Amici curiae

48. The Tribunal promptly implemented the Board's recommendation, formulated in 2003, to cap the monthly cost of *amici curiae* ("friends of the Court"). Rule 74 of the Rules of Procedure and Evidence provides for the invitation of persons to make submissions on any issue if "desirable for the proper determination of the case". This rule has been used for the provision of legal advice to one accused having chosen not to be represented. Fees for these *amici curiae* are paid by the Tribunal. Initially, these fees were not capped, as defence fees have been since 2001, and in one instance reached $771,330 over a 12-month period. The Registry now reviews invoices for *amici curiae* time, although not as extensively as for defence counsel.

4. Office of the Prosecutor

Disclosure of evidence

49. The Office of the Prosecutor had gathered a total of four million pages from its inception to March 2003. In 2003, it printed an average of 50,000 pages per week for disclosure. In one case, 25,000 pages were shipped at once to the defence counsel of one of the accused, who requested additional time and fees to review them. Under the Rules of Procedure and Evidence (articles 66 and 68), the Office of the Prosecutor is responsible for making the evidence available to the defence in a language that the accused, prosecutors and legal counsels understand. Evidence means any "material which in the actual knowledge of the Prosecutor may suggest the innocence or mitigate the guilt of the accused or may affect the credibility of Prosecution evidence". Such a wide definition has led to an extensive and variable acceptance of "evidence" and the issuance of voluminous documentation to the defence.

50. To allow defence counsel to select the documentation falling under article 68, the Office has opted for the scanning of documents and for a web-based "e-disclosure", which was launched late 2003. Its impact in terms of time and costs saved remains to be assessed.

51. As a consequence of the above, all documentation available at the Office of the Prosecutor, regardless of its relevance, must be translated. Since 2002, a General Service Unit translates prosecution material at a preliminary stage to ascertain whether the material would be required for the Court proceedings. If the material is deemed to be required, the Tribunal requests that this already-translated prosecution material is translated again before being used in Court. The second translation is provided by certified translators of the Conference and Language Services Section.

[7] Ibid., para. 62.

52. In 2003, the Tribunal created a Documents Control Unit, which became operational in 2004. The Unit defines the required levels of translator skills so as to ensure the most cost-effective use of translation resources. It also ensures that translations of the same material are not made more than once at the same level, even if the same material is requested by different parties. Nevertheless, dual translations, preliminary then "official", remain a cost factor.

53. **The Board encourages the Tribunal in its action to further reduce the need for costly official translations.**

5. Premises in Sarajevo

54. Until its liquidation in June 2003, the United Nations Mission in Bosnia and Herzegovina (UNMIBH) occupied a 10-storey building in Sarajevo. In exchange for entire renovation, its owner, a local university, granted free occupancy to the United Nations until 2008 or until the United Nations presence in Bosnia and Herzegovina ceases to exist, whichever is earlier.

55. In 2003, the Tribunal took over as the lead agency for United Nations House after an unsuccessful appeal to other United Nations agencies with operations in Sarajevo to move into the building and assume responsibility for its operation. The Tribunal explained that it only accepted responsibility through 31 December 2005 and continued to request the assistance of the United Nations in identifying another United Nations entity willing to assume responsibility starting in 2006. By June 2004, the United Nations had yet to take steps so that the Tribunal could withdraw at no cost from managing United Nations House.

56. The Tribunal's office space more than doubled between 2002 (some 500 square metres) and January 2004 (1,184 square metres), while the staff did not significantly vary, numbering some 21 staff positions (including eight international staff members) at year-end in 2002 and 2003, with a reported peak of close to 40. The amount of space per staff is an excessive 56 square metres per permanent work station. However, this includes space reserved in anticipation of liaison staff to be tasked with the transfer of cases to national tribunals. After the Board's audit, the Tribunal confirmed that the Office of the Prosecutor planned to return approximately 400 square meters on or before 31 December 2004.

57. Twenty-eight per cent of the building space remained vacant until early 2004, leading to an additional cost of $50,000 per year for the Tribunal. The building is administered through a Joint Management Committee, with operational costs for space being split among occupants on a pro rata basis. A memorandum of understanding was signed by the Tribunal with the European Union on 30 June 2003 for the latter's occupancy of 6,996 square metres (61.5 per cent of the space). The memorandum called for an annex on the list of essential services to be provided to the Tribunal, with pro rata shares of expenses and non-reimbursable costs. By April 2004, this document had not yet been finalized, leaving the cost-sharing without a legal base. The monthly cost per square metre ($9) remains well below local commercial rates, but it has tripled for the Tribunal (the additional cost amounted to $80,000 in 2003). No additional rent is requested from the European Union to cover the costs for repair and renovation of the building, which were borne by UNMIBH.

58. **The Tribunal agreed with the Board's recommendations to (a) finalize the annex to the memorandum of understanding setting out the services to be**

shared and invoiced within the United Nations House in Sarajevo; (b) endeavour to have the building's management transferred to another entity before the Tribunal closes its Sarajevo office; and (c) continue to liaise with United Nations Headquarters and other international entities to improve the building's occupancy rate.

6. Information and communications technology coordination

59. While assets management is a common concern throughout the United Nations system, the Tribunal has developed, in-house, its own assets-management software. The decision to do so, which was taken in consideration of the small amount of work needed and the unavailability of expertise for existing United Nations-developed software, illustrates previous comments of the Board on the lack of interdepartmental and inter-agency coordination in the field of information and communications technology. The Tribunal now routinely reviews the online electronic assets management database, the new internal repository of the system deployed by the United Nations.

60. **The Tribunal agreed with the Board's recommendation to consider sharing software for standard data-processing applications on an inter-agency basis.**

7. Human resources management

Medical clearance of judges

61. During the biennium 2002-2003, trials have been adjourned in three instances, at cost to the Tribunal, due to the illness of judges. The Presiding Judge for a major ongoing trial also resigned in March 2004 for medical reasons. The terms and conditions applied to all staff members and administrative instruction ST/AI/1999/7 on the engagement of consultants provide for a medical examination or a statement of good health prior to employment, but these do not apply to candidates for a judgeship, which is a non-staff member position. The Tribunal has not implemented a recommendation made by the Board in 2003 to apply these terms.

62. **The Tribunal agreed with the Board's recommendation to explore, with the United Nations Secretariat, the possibility of extending the medical standards for staff members to candidates for judgeship, which is a non-United Nations staff position.**

Pension payments to judges in activity

63. In accepting a recommendation in the Board's report of 2000-2001,[8] the General Assembly decided, in annex II to its resolution 58/264 of 23 December 2003, that no retirement pension shall be payable to a former judge who has been elected a member of the International Court of Justice or elected or appointed a permanent judge of the International Criminal Tribunal for Rwanda or appointed to serve on the International Criminal Tribunal for the Former Yugoslavia until he or she ceases to hold that office or appointment. The Tribunal has reported no such case.

[8] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5L* and corrigendum (A/57/5/Add.12 and Corr.1), chap. II, para. 88.

64. The Secretary-General also raised the possibility that the same problem might arise for judges elected to the International Criminal Court (ICC) (A/C.5/57/36). No provision in this regard has, however, been made for officials other than Secretariat officials. However, since a retired Tribunal judge does serve at the International Criminal Court, addressing the concern of the Secretary-General might prevent the recurrence of such a problem.

Overtime

65. During 2002-2003, overtime worked (paid, compensated or saved for later compensation) at the Office of the Prosecutor and at the Registry amounted to 83,448 hours ($1.5 million). This was the equivalent of 23 full-time positions as compared to the 1,058 authorized posts. Contrary to appendix B of the Staff Rules, which set the normal maximum monthly overtime at 40 hours, some staff members have worked up to 110 hours a month in overtime. However, following an audit by the Board, the Tribunal has decreased overtime by 11 per cent, from 44,197 hours in 2002 to 39,251 hours in 2003. It had yet to ensure that overtime requests remained exceptional and related to actual peak workload periods, but was reviewing, by June 2004, recent recommendations on this matter from the Office of Internal Oversight Services.

66. **The Board recommends that the Tribunal take further steps to comply with strict overtime rules.**

Training

67. The Tribunal has a main training budget and separate training budgets for the Office of the Prosecutor and for the Information Technology Services Section. Training costs, not including trainee salaries, decreased by 24 per cent, from $845,000 in the previous biennium to $646,000 by end December 2003, that is from 0.8 per cent to 0.4 per cent of the "posts" and "other staff" costs. The Tribunal explained the low level of funding by the fact that it was staffed at a rather high level of competence and that it is a temporary body. However, considering that the Tribunal expects to operate until 2011, this downtrend may neither be in its interest, in terms of training contributing to prospective overall cost-effectiveness, nor in that of its staff in terms of proper management of human resources.

68. Following an audit of the Board, in 2003 the Tribunal established an annual training plan and human resources action plans for 2003 and 2004, including indicators on training performance. Data on results achieved in 2003 and a plan for 2004 were, however, not yet completed by March 2004. The only indicator in April 2004 was an estimate of the number of trainees, but the Tribunal indicated that it had improved its monitoring on training, including a follow-up by gender and grade.

69. **The Tribunal agreed with the Board's recommendation to reinforce its monitoring of training activities.**

8. Fraud and presumptive fraud

70. During the biennium 2002-2003, the Tribunal reported no case of fraud or presumptive fraud.

71. The Tribunal has included anti-fraud elements in different rules, procedures and internal controls. The Chief Administrative Officer acts as a focal point on fraud

prevention, but has not been formally designated as such. Regarding external risks, the Tribunal has developed procedures to deal with fraud or presumptive fraud by counsel, and the Office of Internal Oversight Services has assigned an investigator to monitor investigative activities.

72. The Tribunal does not, however, have a comprehensive internal anti-fraud and anti-corruption infrastructure. It does not have a proactive anti-fraud and anti-corruption strategy and plan, which means that internal risks may not be properly addressed. Owing to this lack of a comprehensive anti-fraud plan, the Tribunal has:

(a) No effective framework for internal fraud prevention, detection, resolution and reporting;

(b) No formal internal corruption or fraud-risk assessment mechanism; and no internal corruption and fraud-prevention committee;

(c) Conducted no ethics, anti-corruption and fraud-awareness training sessions or workshops;

(d) No specific resolution mechanisms for reported and detected internal incidents and allegations of corruption and fraud (although it relies on the Office of Internal Oversight Services to do so).

73. After the Board's audit, the Tribunal contacted the Department of Management in order to share best practices emanating in this field from the Secretariat and the funds and programmes of the Organization.

74. **While commending the Tribunal for action taken on external corruption and fraud risks, the Board recommends that it develop a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, furthering its recent coordination with the United Nations Administration in order to obtain the benefit of best practices.**

D. Acknowledgement

75. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the President, the Prosecutor, the Registrar and the staff of the Tribunal.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the report.

Annex

Follow-up on action taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 2001

Summary of status of implementation of recommendations for the financial biennium ended 31 December 2001

Topic	*Implemented*[a]	*Under implementation*[a]	*Not implemented*	*Total*	*Reference in the present report*
Component A: financial issues					
Unliquidated obligations	Para. 23				
Non-expendable equipment	Para. 25				
Trust funds	Para. 27				
Write-offs and losses	Para. 29				
Subtotal (Number)	**4**		-	**4**	
Subtotal (Percentage)	**100**	-	-	**100**	
Component B: management issues					
Completion strategy	Para. 32	Paras. 39, 43			Paras. 36 to 42
Legal aid and fee-splitting	Paras. 72 and 73	Paras. 54, 56, 62 and 66			Paras. 44 to 47
Translation	Para. 78				
Ethics	Para. 82				
Financial relations United Nations Headquarters/ Tribunal	Paras. 84 and 86				
Judges' payroll	Para. 88				
Information technology	Para. 90				
Subtotal (Number)	**8**	**6**	-	**14**	
Subtotal (Percentage)	**57**	**43**	-	**100**	
Total (Number)	**12**	**6**	-	**18**	
Total (Percentage)	**67**	**33**	-	**100**	

[a] See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5L* and corrigendum (A/57/5/Add.12 and Corr.1), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of the International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, comprising statements numbered I to IV and the supporting notes for the biennium ended 31 December 2003. These financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis and where considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the period then ended, in accordance with the stated accounting policies of the International Criminal Tribunal for the Former Yugoslavia set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the Tribunal that have come to our notice or that we have tested as part of our audit have been, in all significant respects, in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the Tribunal's financial statements.

(*Signed*) Shauket A. **Fakie**
Chairman of the Board
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

Chapter IV

Certification of the financial statements

1. The financial statements of the United Nations International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium from 1 January 2002 to 31 December 2003 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarifications for the financial activities undertaken by the Organization during the period covered by these statements for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the United Nations Tribunal for the Former Yugoslavia, numbered I to IV, are correct.

(*Signed*) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller

26 March 2004

Chapter V

Financial statements for the biennium ended 31 December 2003

Statement I

International Tribunal for the Former Yugoslavia a/

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2002-2003 ending 31 December 2003
(Thousands of United States dollars)

	2003	2001
Income		
Assessed contributions b/	248 928	191 828
Funding from reserves and fund balances c/	13 727	22 726
Interest income	2 067	3 734
Other/miscellaneous income	1 023	445
Total income	**265 743**	**218 733**
Expenditure		
Staff and other personnel costs	232 939	165 506
Travel	8 049	7 575
Contractual services	12 519	9 042
Operating expenses	21 183	17 494
Acquisitions	8 789	9 676
Other	835	-
Total expenditure	**284 314**	**209 293**
Excess (shortfall) of income over expenditure	**(18 571)**	**9 440**
Prior period adjustments	-	16
Net excess (shortfall) of income over expenditure d/	**(18 571)**	**9 456**
Savings on, or cancellation of, prior periods' obligations	3 360	6 052
Transfers from surplus c/	(13 727)	(22 726)
Reserves and fund balances, beginning of period	16 371	23 589
Reserves and fund balances, end of period	**(12 567)**	**16 371**

a/ See notes 2 and 3.

b/ In accordance with General Assembly Resolutions 56/247A and B and 57/288, assessments for the International Tribunal are based in part on the scale of assessment applicable to the United Nations regular budget and in part on the scale of assessment applicable to peacekeeping operations.

c/ Represents amounts transferred from prior period surplus applied against the appropriation for the biennium 2002/2003 as approved under General Assembly resolution 57/288 ($13,727,500).

d/ The shortfall of income over expenditure as at 31 December 2003 is covered by assessment in 2004 of $25,668,500 pertaining to the final appropriation for the biennium 2002-2003, approved by the General Assembly in resolution 58/255.

The accompanying notes are an integral part of the financial statements.

Statement II

International Tribunal for the Former Yugoslavia a/

Statement of assets, liabilities and reserves and fund balances as at 31 December 2003

(Thousands of United States dollars)

	2003	2001
Assets		
Cash and term deposits	3 757	2 577
Cash pool b/	672	7 634
Assessed contributions receivable from Member States c/	53 311	24 185
Other accounts receivable	2 114	1 504
Deferred charges	80 419	3 899
Inter-office transactions pending processing	159	112
Total assets	**140 432**	**39 911**
Liabilities		
Contributions or payments received in advance	2	59
Unliquidated obligations - current period	19 630	14 444
Unliquidated obligations - future periods	79 773	3 506
Inter-fund balances payable	4 959	5 058
Due to the UN Transitional Administration in Eastern Slovenia (UNTAES)	19 000	-
Due to the UN Assistance Mission for Rwanda (UNAMIR)	10 000	-
Due to the UN Observer Mission in Angola (MONUA)	19 000	-
Other accounts payable	635	473
Total liabilities	**152 999**	**23 540**
Reserves and fund balances		
Cumulative surplus	(12 567)	16 371
Total reserves and fund balances d/	**(12 567)**	**16 371**
Total liabilities and reserves and fund balances	**140 432**	**39 911**

a/ See notes 2 and 3.

b/ Represents share of the United Nations Headquarters Cash Pool and comprises cash and term deposits of $153,374, short-term investments of $86,657 (market value $86,714), long term investments of $429,426 (market value $426,210) and accrued interest receivable of $2,072.

c/ Includes assessed contributions unpaid irrespective of collectability.

d/ The deficit in the fund balance as at 31 December 2003 is covered by assessment in 2004 of $25,668,500 pertaining to the final appropriation for the biennium 2002-2003, approved by the General Assembly in resolution 58/255.

The accompanying notes are an integral part of the financial statements.

Statement III

International Tribunal for the Former Yugoslavia a/

Statement of cash flows for the biennium 2002-2003 ending 31 December 2003

(Thousands of United States dollars)

	2003	2001 b/
Cash flows from operating activities		
Net excess (shortfall) of income over expenditure (Statement I)	(18 571)	9 456
(Increase) decrease in assessed contributions receivable	(29 126)	(5 595)
(Increase) decrease in other accounts receivable	(610)	524
Increase (decrease) in deferred charges	(76 520)	(1 403)
(Increase) decrease in other assets	(47)	76
Increase (decrease) in contributions or payments received in advance	(57)	(253)
Increase (decrease) in unliquidated obligations	81 453	2 717
Increase/decrease in other accounts payable	162	(696)
Less: Interest income	(2 067)	(3 734)
Net cash from operating activities	**(45 383)**	**1 092**
Cash flows from investing and financing activities		
Increase (decrease) in loans payable	48 000	-
Increase (decrease) in inter-fund balances payable	(99)	(643)
(Increase) decrease in cash pool	6 962	(7 634)
Plus: Interest income	2 067	3 734
Net cash from investing and financing	**56 930**	**(4 543)**
Cash flows from other sources		
Savings on, or cancellation of, prior periods' obligations	3 360	6 052
Transfers from reserves and fund balances	(13 727)	(22 726)
Net cash from other sources	**(10 367)**	**(16 674)**
Net increase (decrease) in cash and term deposits	1 180	(20 125)
Cash and term deposits, beginning of period	2 577	22 702
Cash and term deposits, end of period c/	**3 757**	**2 577**

a/ See notes 2 and 3.

b/ Reclassified to conform to current presentation.

c/ Cash and term deposits does not include cash and term deposits in the cash pool. Refer footnote b/ in Statement II.

The accompanying notes are an integral part of the financial statements.

Statement IV

International Tribunal for the Former Yugoslavia

Statement of Appropriations for the biennium 2002-2003 ending 31 December 2003
(Thousands of United States dollars)

	Programme of work	APPROPRIATIONS	EXPENDITURES			
		Approved a/	Disbursements	Unliquidated Obligations	Total Expenditure	Balance
A.	The Chambers	8 982	8 749	59	8 808	174
B.	The Office of the Prosecutor	80 515	78 553	772	79 325	1 190
C.	Registry	165 107	143 934	18 799	162 733	2 374
D.	Staff assessment	33 718	33 448	-	33 448	270
	Total	288 322	264 684	19 630	284 314	4 008

a/ The appropriations for 2002/2003 were approved under General Assembly resolutions 56/247A and B, 57/288 and 58/254.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as the financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts towards resolving conflicts, restoring democracy, promoting disarmament, providing electoral assistance, facilitating post-conflict peace-building, engaging in humanitarian activities to ensure the survival of groups deprived of basic needs and overseeing the prosecution of persons responsible for serious violations of International Humanitarian Law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations System Accounting Standards, as adopted by the former Administrative Committee on Coordination. The Administrative Committee on Coordination has since been replaced by the United Nations System Chief Executives Board for

Coordination. The Organization follows International Accounting Standard 1, "Presentation of Financial Statements", on the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of an actual exchange rate as at the date of the statements would result in a valuation materially different from that which would result from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to the United Nations System Chief Executives Board for Coordination.

(i) Separate financial statements are issued for the United Nations general and related funds, the United Nations Iraq escrow accounts, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and the peacekeeping accounts, which are reported separately on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund are assessed to Member States in accordance with the scale of assessments as determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-Member States that agree to reimburse the Tribunal for the costs of their participation in the Organization's treaty bodies, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to the provision of technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed to non-Member States as stated in (j) (iii) above, monies accepted for which no purpose was specified and other sundry income;

(x) Income relating to future financial periods is recorded as deferred income, as referred to in item (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges, as referred to in item (l) (vi) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value: long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for in item (l) (ii) above. Share in the cash pools is reported separately in each of the participating fund's statement and its composition and the market value of its investments are disclosed in footnotes to the individual statements;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, dependent upon the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(m) Liabilities and reserves and fund balances:

(i) Operating reserves are included in the totals for "reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the General Assembly has invoked article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. As at the date of the current financial statement, the General Assembly had not invoked that provision.

Note 3
International Tribunal for the Former Yugoslavia (statements I-IV)

(a) The International Tribunal for the Former Yugoslavia was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The Tribunal consists of the following organs:

(i) The Chambers is made up of three Trial Chambers and an Appeals Chamber. The Trial Chambers are composed of nine permanent judges, no two of whom may be nationals of the same State, and nine ad litem judges, no two of whom may be nationals of the same State. The Appeals Chamber, which is composed of seven judges, serves both the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda;

(ii) The Prosecutor, who is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991. The Prosecutor acts independently as a separate organ of the Tribunal;

(iii) A Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal.

(b) The General Assembly, in its resolutions 56/247 A and B, 57/288 and 58/255 approved the funding of the budget appropriations for the biennium 2002-2003. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessment applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the Tribunal to carry out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium.

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(d) Statement II shows the assets, liabilities, reserves and fund balances as at 31 December 2003. Excluded from the assets is the value of non-expendable property (see note 6).

(e) Statement III shows the cash flows for the period prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards.

(f) Statement IV reports on expenditures against the appropriation approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 56/247 A and B, 57/288 and 58/254, the appropriations and gross assessments for the biennium 2002-2003 are as follows (in thousands of United States dollars):

	2002	*2003*	*Total*
Original budget appropriation (resolution 56/247 A)	**116 557**	**126 235**	**242 792**
Add: Increase in resources	2 927	3 207	6 134
Revised appropriation (resolution 56/247 B)	**119 484**	**129 442**	**248 926**
Add: Increase in resources	6 446	7 282	13 728
Revised appropriation (resolution 57/288)	**125 930**	**136 724**	**262 654**
Add: Increase in resources	-	25 668	25 668
Revised appropriation (resolution 58/254)	**125 930**	**162 392**	**288 322**
Less: amount to be financed from the unencumbered balance as at 31 December 2001 (resolution 57/288)	(5 556)	(8 172)	(13 728)
Less: amount to be assessed in 2004 (resolution 58/255)	-	(25 668)	(25 668)
Gross amounts assessed to Member States	**120 374**	**128 552**	**248 926**

Note 5
Assets, liabilities, reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2003 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. Based on this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2003 (ST/ADM/SER.B/619, annex XXIII). The report shows total unpaid assessments of $53,311,055, including the former Yugoslavia, which ceased to be a Member State on 1 November 2000. However, no action has been taken in the accounts as there is no specific General Assembly resolution on the matter. Of the total unpaid

assessments, $17,383,515 are over one year old, and $35,927,540 are less than one year old.

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2003 compared with those as at 31 December 2001 (in thousands of United States dollars):

	2003	*2001*
Governments	412	498
Staff members	1 360	882
Vendors	126	51
Other United Nations entities	216	73
Total	**2 114**	**1 504**

(d) Other accounts payable. The following is the composition of other accounts payable balances at 31 December 2003 compared with those as at 31 December 2001 (in thousands of United States dollars):

	2003	*2001*
Staff members	116	63
Vendors	43	12
Specialized agencies	-	72
Other United Nations entities	8	131
Provision for repatriation grant	468	195
Total	**635**	**473**

(e) Future years' commitments. The amount reported in statement II as unliquidated obligations for future years comprise obligations raised for contracts and lease agreements that pertain to the period from 2004 to 2011.

Note 6
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. According to the cumulative inventory record, the non-expendable property, valued at the historical cost, is $14.5 million as at 31 December 2003.

Note 7
Liabilities for end-of-service and post-retirement benefits

(a) The Tribunal has not specifically recognized in any of its financial accounts, liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments, which will be owed when staff members leave the Tribunal. Actual payments made in each financial period are reported as current expenditures.

(b) In order to gain a better understanding of the financial dimensions of the Tribunal's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health benefits. It is estimated that the Tribunal's liability as at 31 December 2003 is as follows (in United States dollars):

	Present value of future benefits	*Accrued liability*
Gross liability	43 650 000	13 229 000
Offset from retiree contributions	(12 659 000)	(3 836 000)
Net liability	**30 991 000**	**9 393 000**

(c) The present value of future benefits figures shown above are the discounted values of all benefits to be paid in the future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) Staff members who separate from the International Tribunal for the Former Yugoslavia are entitled to be paid for any unused vacation days they may have accrued up to a maximum of 60 days. The total liability for such unpaid accrued vacation compensation as of 31 December 2003 is estimated to be $5.2 million and includes $0.2 million for staff members charged to the voluntary fund to support the activities of the Tribunal.

(e) Some staff members are entitled to repatriation grants and payment of related relocation expenditures upon their termination from the Organization based on the number of years of service. The total liability for such unpaid repatriation and relocation entitlement as at 31 December 2003 is estimated to be $4.8 million and includes amounts for staff members charged to the voluntary fund to support the activities of the Tribunal.